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# news from Korn/Ferry International

Contact: Lucie Adam
Stephanie Rosenfelt
(212) 687-1834

**EXECUTIVE DEMAND DOWN IN U.S.; UP STRONG IN EUROPE**

NEW YORK, July 12, 1990 -- Demand for U.S. executives dropped 18 percent in the second quarter of 1990 over the same period a year ago, according to the 74th National Index of Executive Vacancies, a quarterly report released today by Korn/Ferry International. "The American job market is stocked with talented executives looking for positions, and these top spots are scarce," said Lester B. Korn, Chairman of Korn/Ferry, the world's largest executive search firm.

"In response to the sluggish economy, U.S. companies are cutting executive positions to the bone," said Korn. "This is especially true at companies weighed down by debt loads taken on over the past few years. At these corporations in particular, we are seeing staff cuts and employee retrenchment."

By contrast, the picture is much brighter overseas. "This year, demand for senior executives is up 22 percent in Europe," said Korn. "The recent events in Eastern Europe and the forthcoming economic unification of the EEC account for much of the hiring activity. The mood there is one of opportunity and optimism, both for European-based companies and American firms with overseas operations."

Korn warned that this combination of foreign growth and domestic

caution could be dangerous for many American companies. "Although necessary in many cases, today's domestic belt-tightening may well cut into tomorrow's global growth. In the manufacturing sector, for example, plans to invest in new plant and equipment are being drastically curtailed, and the recruiting of manufacturing and engineering executives and R&D staff has plummeted."

The Korn/Ferry Index reported that manufacturing and R&D hiring fell from 12 percent to only eight percent of a considerably smaller pie. "To compete in a global marketplace, American companies need a manufacturing base," said Korn. "But gearing up again will be tough in the face of severe shortages of U.S. executives skilled in manufacturing and R&D."

The Industry Picture: Overall Softness, Pockets of Activity

In the financial services sector, executive demand fell from 20 percent to only 14 percent of overall national hiring. "Things are at a standstill on Wall Street, the investment community is talking layoffs and the S&Ls are collapsing," said Richard M. Ferry, Korn/Ferry president and co-founder. "The only financial services hiring this past quarter has been related to damage control." Ferry said that many troubled financial institutions, especially the commercial banks, were recruiting new presidents and CEOs specifically for turnaround situations.

Other industries facing an array of problems have also reported a significant scaling back of recruitment efforts. In the retail industry, three straight months of declining sales have ushered in a period of bankruptcies and reorganizations. Severely overbuilt

commercial and residential markets, coupled with a credit crunch, have frozen real estate hiring. High technology companies, dependent on dwindling defense dollars, have put most hiring plans on hold.

However, Ferry pointed to several pockets of healthy hiring activity. "The energy sector is expanding again, and that's good news for the Southwest. Health care continues to grow and telecommunications is very strong." He also pointed out that industries that have already made the move to expand into foreign markets are enjoying substantial employment growth. Among these are the entertainment industry and the hospitality and leisure sector, both of which are actively recruiting senior area and country managers and marketing executives with international experience. "Wise American corporations should actively be seeking ways to capitalize on the current boom in Europe," Ferry said.

Hiring in the non-profit sector increased from six percent to 10 percent of total demand, reflecting openings created by retirements and resignations as well as an increased use of executive search by universities and museums. Non-profit institutions are especially eager to find senior administrators comfortable with the fund-raising challenges posed by new tax laws.

## Functional Picture Dominated by Concern for Profits

Efforts to improve financial performance and protect profitability have motivated corporations to fill key positions with proven P&L leaders. Fully 40 percent of senior executive recruiting was for positions in general management, and 15 percent was for CEOs. Ferry said, "Not afraid to make changes at the top, American companies

are scrambling to improve their profits. By hiring strong managers for their profit centers, they hope to weather the storm and get back on track for future growth."

In other functional specialties, hiring of finance and marketing executives was flat, and recruitment of human resources and administrative staff was off considerably.

## Region by Region

Hard hit by the decline in manufacturing, executive hiring in the Midwest fell from 20 percent to 14 percent of national totals. The East and the West Coasts each claim a 34 percent share of national hiring, although both regions have been adversely affected by cuts in the defense budget, the travails of the once booming financial services industry and a soft real estate market. Similar problems conspired to reduce the volume of hiring in the Southwest.

## 750 Companies Surveyed

The National Index of Executive Vacancies is based on a quarterly survey of 750 Korn/Ferry International clients who are among the nation's largest corporations and non-profit organizations, including government agencies, universities and cultural institutions. The Index records the hiring of senior executives earning $100,000 or more annually.

## Korn/Ferry International

Headquartered in New York and Los Angeles, Korn/Ferry International specializes in management searches at the senior

level. The firm maintains 41 offices in key business centers throughout North America, Latin America, Europe, Asia/Pacific and Australia.

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## NATIONAL INDEX OF EXECUTIVE VACANCIES--INDUSTRY*

| | 2nd Q 1990 % | 2nd Q 1989 % |
|---|---|---|
| Agriculture/Natural Resources/Energy | 3 | 3 |
| Chemical and Related Products | 4 | 4 |
| Technology (Electronics, Computers, Software, Defense, Telecommunications) | 12 | 10 |
| Machinery, Manufactured Products | 12 | 14 |
| Consumer Products (not elsewhere classified) | 6 | 7 |
| Transportation, Utilities, Communications | 13 | 8 |
| Wholesale and Retail Distribution | 5 | 6 |
| Financial Services (Banking, Brokerage Insurance) | 14 | 20 |
| Real Estate, Building, Construction | 5 | 6 |
| Health Care | 8 | 7 |
| Not-for-Profit, Government, Associations, Education | 10 | 6 |
| Hospitality/Leisure, Entertainment | 5 | 3 |
| Miscellaneous Professional Services | 3 | 5 |
| Other | -- | 1 |
| Total | 100% | 100% |

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## NATIONAL INDEX OF EXECUTIVE VACANCIES--FUNCTIONS*

| | 2nd Q 1990 % | 2nd Q 1989 % |
|---|---|---|
| Board Level | 2 | 1 |
| Chief Executive Officer | 15 | 13 |
| General Management | 40 | 34 |
| Finance and Control | 12 | 12 |
| Human Resources and Administration | 6 | 10 |
| Information Systems | 2 | 2 |
| Manufacturing, Engineering, R & D, Technology | 8 | 12 |
| Marketing and Sales/Advertising and PR | 15 | 15 |
| Other | -- | 1 |
| Total | 100% | 100% |

## NATIONAL INDEX OF EXECUTIVE VACANCIES--REGION*

| | 2nd Q 1990 % | 2nd Q 1989 % |
|---|---|---|
| East | 34 | 30 |
| West | 34 | 30 |
| Midwest | 14 | 20 |
| Southeast | 9 | 8 |
| Southwest | 9 | 12 |
| Total | 100% | 100% |

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